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SUPERACTIVE GROUP COMPANY LIMITED

先機企業集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 0176)

(1) ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023; AND (2) RESUMPTION OF TRADING

The board (the “Board”) of directors (the “Directors”) of Superactive Group Company Limited (the “Company”) announces its consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	4	67,634	88,730
Cost of sales		(46,717)	(55,414)
Gross profit		20,917	33,316
Other net gains	5	83	8,935
Selling and distribution costs		(1,178)	(1,596)
Administrative costs		(55,576)	(54,413)
Finance costs		(78,841)	(103,881)
(Impairment)/reversal of impairment of assets	6	(152,081)	1,329
Net reversal of impairment loss/(impairment loss) on financial assets at amortised cost	6	830	(5,293)
Share of results of an associate	10	21,156	25,337
Loss before tax	6	(244,690)	(96,266)
Income tax credit	7	4,347	940

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year		<u>(240,343)</u>	<u>(95,326)</u>
Loss for the year attributable to:			
Owners of the Company		(239,044)	(93,426)
Non-controlling interests		<u>(1,299)</u>	<u>(1,900)</u>
		<u>(240,343)</u>	<u>(95,326)</u>
Loss per share			
Basic and diluted (HK cents)	<i>9</i>	<u>(11.76)</u>	<u>(4.60)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	(240,343)	(95,326)
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising from the translation of foreign operations	<u>(11,682)</u>	<u>(35,463)</u>
Other comprehensive income for the year, net of tax	<u>(11,682)</u>	<u>(35,463)</u>
Total comprehensive income for the year	<u>(252,025)</u>	<u>(130,789)</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	(250,990)	(129,561)
Non-controlling interests	<u>(1,035)</u>	<u>(1,228)</u>
	<u>(252,025)</u>	<u>(130,789)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		244,896	277,668
Interest in an associate	10	556	173,311
Financial assets at fair value through profit or loss	11	–	6,049
Financial assets at fair value through other comprehensive income	12	59,000	–
Intangible assets	13	5,973	13,443
		<u>310,425</u>	<u>470,471</u>
CURRENT ASSETS			
Inventories		18,854	14,123
Properties held for sale		539,519	555,219
Trade and bills receivables	14	17,190	19,197
Prepayments, deposits and other receivables	15	3,807	6,803
Loan receivables	16	13,592	24,378
Restricted bank deposits		227	2,994
Cash and bank balances		5,809	8,365
		<u>598,998</u>	<u>631,079</u>
CURRENT LIABILITIES			
Trade and other payables	17	344,099	283,707
Rental received in advance		8,301	2,432
Contract liabilities	18	3,720	593
Amount due to a shareholder		2,827	2,093
Amount due to non-controlling interests		2,241	799
Interest-bearing borrowings		482,813	399,392
Lease liabilities		57	54
Tax payable		18,732	26,848
		<u>862,790</u>	<u>715,918</u>
NET CURRENT LIABILITIES		<u>(263,792)</u>	<u>(84,839)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>46,633</u>	<u>385,632</u>

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	1,973	87,675
Lease liabilities	24	81
Deferred tax liabilities	300	1,515
	<u>2,297</u>	<u>89,271</u>
NET ASSETS	<u>44,336</u>	<u>296,361</u>
CAPITAL AND RESERVES		
Share capital	203,257	203,257
Reserves	(167,844)	83,146
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	35,413	286,403
Non-controlling interests	8,923	9,958
TOTAL EQUITY	<u>44,336</u>	<u>296,361</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is Room 1510, 15/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the Directors, at 31 December 2023, Super Fame Holdings Limited, a company incorporated in the British Virgin Islands, is the immediate holding company and Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar are the ultimate controlling parties of the Company.

2. BASIS OF PREPARATION

The functional currency and the presentation currency of the Company is Hong Kong dollars ("HK\$"). Each entity in the Group maintains its books and records in its own functional currency.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively include all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also include applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value. The measurement bases are fully described in accounting policies set out below.

Going Concern

For the year ended 31 December 2023, the Group recorded a net loss attributable to the owners of approximately HK\$239,044,000 for the year ended 31 December 2023 and, as at that date, the Group had net current liabilities of approximately HK\$263,792,000 while its cash and cash equivalents amounted to approximately HK\$5,809,000. In addition, as at 31 December 2023, i) the principal amount and accrued interest of bond payables of approximately HK\$250,000,000 and approximately HK\$182,546,000, respectively; and ii) the principal amount and accrued interest of bank borrowings of approximately HK\$227,513,000 were defaulted in payment. Such default entitled the bondholder and the bank a right to demand immediate repayment from the Group. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

In view of such circumstances, the Directors have given careful consideration to future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding borrowings and be able to finance its future working capital and financial requirements. Certain measures have been taken and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

- (i) The Group is in the process of negotiating with the Group's bondholder for mediation or extension for repayment of principal and interest of the bond payables;

- (ii) The Group is in the process of negotiating with bank for mediation or extension for the renewal of or extension for repayment of the bank borrowings;
- (iii) The Group will seek to obtain additional new financial support including but not limited to borrow loans, issuing additional equity or debt securities; and
- (iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group, including close monitoring of general administrative expenses and operating costs.

The Directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from date of the report taking into account the impact of above measures, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the consolidated financial statements for the year ended 31 December 2023 have been prepared on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED HKFRSs

(a) Adoption of amended HKFRSs

The Hong Kong Institute of Certified Public Accountants has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The adoption of the above amendments did not have any significant impact on the Group's results and financial position for the current or prior periods. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

(b) Amended HKFRSs that have been issued but are not yet effective

The following amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

The Group's segment information is based on regular internal financial information reported to the Company's executive Directors and management, being the chief operating decision makers, for their decisions about resources allocation to the Group's business components and their review of these components' performance.

The Group currently has four reportable segments. These segments are managed separately as each business offers different products and services and requires different business strategies as follows: (i) manufacture of electronics products; (ii) money lending business; (iii) property development and management business; and (iv) regulated financial services business.

The following summary describes the operations in each of the Group's reportable segments:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers within the scope of HKFRS 15:		
Electronics products – manufacturing and sale of electronics products	52,022	66,763
Property management – providing management services for landlords and tenants	7,356	5,740
Regulated financial services – providing asset management services	3,911	5,610
	63,289	78,113
Revenue scoped out of HKFRS 15:		
Money lending	4,345	10,617
	67,634	88,730

The total presented for the Group's operating segments reconciles to the Group's key financial figures as presented in the consolidated financial statements as follows:

	Electronics products <i>HK\$'000</i>	Nursery education <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Property development and management <i>HK\$'000</i>	Regulated financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
2023						
Segment revenue	52,022	-	4,345	7,356	3,911	67,634
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>52,022</u>	<u>-</u>	<u>4,345</u>	<u>7,356</u>	<u>3,911</u>	<u>67,634</u>
Segment loss	<u>(3,116)</u>	<u>-</u>	<u>(1,505)</u>	<u>(295)</u>	<u>(8,689)</u>	<u>(13,605)</u>
Other information:						
Additions to segment non-current assets	1,017	-	-	-	-	1,017
Net finance (credit)/charge	441	-	2	(6)	(1)	436
Depreciation of property, plant and equipment	3,277	-	343	1,698	-	5,318
Income tax (credit)/expense	5	-	-	(3,065)	(1,287)	(4,347)
Net (reversal of impairment loss)/ impairment						
loss on financial assets	(35)	-	(1,483)	689	(1)	(830)
Write-off of trade receivables	956	-	-	2,153	-	3,109
Impairment of assets	-	-	-	-	7,361	7,361
2022						
Segment revenue	66,763	-	10,617	5,740	5,610	88,730
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>66,763</u>	<u>-</u>	<u>10,617</u>	<u>5,740</u>	<u>5,610</u>	<u>88,730</u>
Segment profit/(loss)	<u>(4,595)</u>	<u>(377)</u>	<u>(689)</u>	<u>502</u>	<u>9,445</u>	<u>4,286</u>
Other information:						
Additions to segment non-current assets	2,650	-	-	-	-	2,650
Net finance (credit)/charge	438	-	4	(6)	-	436
Depreciation of property, plant and equipment	2,343	-	343	1,950	2	4,638
Income tax (credit)/expense	(16)	-	-	(1,027)	103	(940)
Net (reversal of impairment loss)/ impairment						
loss on financial assets	8,416	-	3,590	265	(6,978)	5,293
Reversal of impairment of assets	-	-	-	-	(1,329)	(1,329)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Reportable segment (loss)/profit	(13,605)	4,286
Impairment of assets	(144,720)	–
Share of results of an associate	21,156	25,337
Other net loss	(6,019)	(2,093)
Unallocated corporate costs (<i>note</i>)	(23,097)	(20,357)
Unallocated corporate net finance cost	(78,405)	(103,439)
	<u>(244,690)</u>	<u>(96,266)</u>
Loss before tax	<u>(244,690)</u>	<u>(96,266)</u>

Note:

The unallocated corporate costs mainly comprise staff cost (including Directors' remuneration), legal and professional fee, exchange differences, depreciation and office rental (short term lease).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment assets		
Electronics products	50,634	51,875
Nursery education	–	131
Money lending	13,881	25,046
Property development and management	547,421	566,483
Regulated financial services	2,849	10,360
	<u>614,785</u>	<u>653,895</u>
Total reportable segment assets	614,785	653,895
Unallocated corporate assets		
Interest in an associate	556	173,311
Financial assets at fair value through profit or loss	–	6,049
Financial assets at fair value through other comprehensive income	59,000	–
Property, plant and equipment (<i>note (i)</i>)	234,031	262,099
Prepayments, deposits and other receivables	282	242
Others (<i>note (ii)</i>)	769	5,954
	<u>769</u>	<u>5,954</u>
Total assets	<u>909,423</u>	<u>1,101,550</u>

Notes:

- (i) This mainly represents office buildings which are used as corporate head office.
- (ii) The balance mainly represents cash and bank balances retained at corporate level.

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment liabilities		
Electronics products	39,379	37,106
Nursery education	–	3,201
Money lending	1,215	623
Property development and management	152,810	160,233
Regulated financial services	191	2,085
	<hr/>	<hr/>
Total reportable segment liabilities	193,595	203,248
Unallocated corporate liabilities		
Bond payables	250,000	250,000
Other interest-bearing borrowings	223,770	227,312
Interest payable	187,407	117,887
Others (<i>note</i>)	10,315	6,742
	<hr/>	<hr/>
Total liabilities	865,087	805,189

Note:

The balance mainly represents amount due to a shareholder and accrued corporate expenses.

Geographical information

The following provides an analysis of the Group's revenue from external customers by geographical market, irrespective of the origin of the goods and information about its non-current assets is presented based on the geographical location as detailed below:

	Revenue from external customers		Non-current assets	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The People's Republic of China ("PRC")				
Mainland China	59,378	72,503	14,415	15,038
Hong Kong (place of domicile)	8,256	16,227	296,010	455,433
	<hr/>	<hr/>	<hr/>	<hr/>
	67,634	88,730	310,425	470,471
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Information about major customers

For the year ended 31 December 2023, revenue from three customers (2022: three customers) (all in the manufacture of electronics products segment) with whom transactions have exceeded 10% of the Group's revenue for the year as detailed below:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A	10,492	18,016
Customer B	13,000	16,350
Customer C	21,473	13,605
	<u>44,965</u>	<u>47,971</u>

Timing of revenue recognition

	Electronics products		Property development and management		Regulated financial services		Total	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Timing of revenue recognition								
At a point in time	52,022	66,763	-	-	-	-	52,022	66,763
Over time	-	-	7,356	5,740	3,911	5,610	11,267	11,350
	<u>52,022</u>	<u>66,763</u>	<u>7,356</u>	<u>5,740</u>	<u>3,911</u>	<u>5,610</u>	<u>63,289</u>	<u>78,113</u>

The following table provides information about trade and bills receivables and contract liabilities from contracts with customers.

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and bills receivables	14	17,190	19,197
Contract liabilities	18	<u>3,720</u>	<u>593</u>

The contract liabilities mainly related to the advance consideration received from customers. The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for sale of goods and services and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sale of goods and services which had an original expected duration of one year or less.

5. OTHER NET GAINS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on bank deposit and balances	9	15
Rental income	3,708	3,211
Government grant	1,572	6,925
Exchange differences	1	9
Forfeiture of deposits from tenants	453	664
Fair value loss on financial assets at fair value through profit or loss	(6,049)	(2,671)
Others	389	782
	<u>83</u>	<u>8,935</u>

6. LOSS BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs including Directors' emoluments:		
Directors' emoluments	1,640	569
Staff salaries, allowance and welfare	25,632	31,726
Retirement benefit scheme contributions	3,702	3,380
	<u>30,974</u>	<u>35,675</u>
Total staff costs		
Auditors' remuneration	1,500	1,400
Cost of inventories recognised as expenses	40,225	49,523
Depreciation of property, plant and equipment	23,579	23,071
Exchange differences	(1)	(9)
Write-off of trade receivables	3,109	–
Impairment loss/(reversal of impairment loss) on intangible assets <i>(note 13)</i>	7,361	(1,329)
Impairment loss on interest in an associate <i>(note 10)</i>	134,911	–
Impairment loss on property, plant and equipment	9,809	–
	<u>152,081</u>	<u>(1,329)</u>
Impairment/(reversal of impairment) of assets		
Net impairment loss/(reversal of impairment loss) on trade receivables	88	(5,860)
Net impairment loss on other receivables	565	7,563
Net (reversal of impairment loss)/ impairment loss on loan receivables	(1,483)	3,590
	<u>(830)</u>	<u>5,293</u>
Net (reversal of impairment loss)/impairment loss on financial assets at amortised cost		

7. INCOME TAX CREDIT/(EXPENSE)

The income tax credit/(expense) for the year comprises:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax – Hong Kong profits tax		
Charged for the year	–	(88)
Over provision in respect of prior years	<u>72</u>	<u>204</u>
	<u>72</u>	<u>116</u>
Current tax – PRC tax		
Charged for the year	(20)	(29)
Over provision in respect of prior years	<u>3,080</u>	<u>1,072</u>
	<u>3,060</u>	<u>1,043</u>
	<u>3,132</u>	<u>1,159</u>
Deferred tax		
Credited/(charged) for the year	<u>1,215</u>	<u>(219)</u>
	<u>1,215</u>	<u>(219)</u>
Income tax credit	<u><u>4,347</u></u>	<u><u>940</u></u>

PRC enterprise income tax has been provided on estimated assessable profits of the subsidiaries' operations in the PRC at 25% (2022: 25%).

PRC Land Appreciation Tax is levied at progressive rates from 30% to 60% (2022: 30% to 60%) on the estimated appreciation of land value, being the proceeds of sales of properties less deductible expenditure including land costs, borrowings costs and all property development expenditures.

In accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19, Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2023 (2022: 16.5%), except for the first HK\$2,000,000 of the qualified entity's assessable profit which is calculated at 8.25% (2022: 8.25%).

8. DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of HK\$239,044,000 (2022: HK\$93,426,000) and the weighted average number of 2,032,571,385 ordinary shares.

The basic and diluted loss per share are the same for the years ended 31 December 2023 and 2022 as there were no dilutive potential ordinary shares outstanding during each of the respective years.

10. INTEREST IN AN ASSOCIATE

As at 31 December 2023 and 2022, the Group had an interest in the following associate:

Name of entity	Form of business structure	Place of incorporation	Principal place of operation	Total capital HK\$'000	Proportion of voting rights held by the Group as general partner		Principal activities
					Proportion of capital contributed by the Group		
IT City	Limited partnership	Cayman Islands	Hong Kong	255,250	34% (2022: 60%)	28.57%	IT properties investment
					2023		2022
					HK\$'000		HK\$'000
Movements of interest in an associate are as follows:							
At 1 January					173,311		146,313
Capital contribution to associate					–		1,661
Distribution of assets					(59,000)		–
Impairment loss					(134,911)		–
Share of results of an associate					21,156		25,337
At 31 December					556		173,311

Note:

- (i) On 2 May 2018, the Group entered into the limited partnership agreement in relation to the operation of IT City Development Fund LP (“IT City”) and two subscription agreements in relation to the application to subscribe for an interest in IT City with a committed capital contribution of HK\$51,000,000 in the capacity as general partner (through an indirect wholly-owned subsidiary of the Company (“GP1”)) and HK\$100,000,000 in the capacity as limited partner (through a direct wholly-owned subsidiary of the Company) respectively. The principal purpose of IT City is to invest in properties that can consolidate and promote the development of IT industry and its related supporting facilities. According to the limited partnership agreement, the management, policies and control of IT City shall be vested exclusively in the general partners who, acting unanimously, may make such investment decisions as they shall determine, having given consideration to the investment objective and investment strategy of IT City and the advice of the investment committee of IT City (the “Investment Committee”). GP1 shall be entitled to appoint two members to the Investment Committee, which demonstrates its significant influence over IT City.

- (ii) On 20 December 2022, IT City entered a subscription agreement with Sino Ocean Ventures Limited (“Sino Ocean”) to subscribe to a 1-year convertible bond at a rate of 10% per annum with the principal amount of HK\$302,000,000 (the “Convertible Bonds”). The Convertible Bonds could be converted into shares of Sino Ocean at a conversion price of HK\$18,000,000 per share. According to the subscription agreement, the Convertible Bonds are transferable and the subscription price was satisfied by way of set-off the amount due from Sino Ocean Ventures to IT City.

Sino Ocean has entered a sale and purchase agreement and conditionally agree to acquire the entire equity shares of an independent third party which held lots of land in Fanling aggregated at approximately 590,000m² for development (the “Transaction”).

Depending on whether the Convertible Bonds have been converted, IT City could (i) transfer the Convertible Bonds, or share of Sino Ocean if the Convertible Bonds are converted, to an independent third party and then refund to its subscribers; (ii) directly refund the subscribers the Convertible Bonds or share of Sino Ocean if the Convertible Bonds converted.

- (iii) On 31 May 2023, IT City exercised the conversion rights in the Convertible Bonds and fully converted them into 18 converted shares of Sino Ocean at an exercise price of HK\$18,000,000 per share.
- (iv) On 8 June 2023, Sino Ocean subdivided its issued and unissued shares of US\$1.00 each into 1,000 subdivided shares of US\$0.001 each in its share capital. As a result, the number of shares held by IT City in Sino Ocean increased from 18 shares to 18,000 shares.
- (v) The limited partnership agreement was terminated on 30 June 2023. On 26 September 2023, IT City distributed 7,493 shares of Sino Ocean to Silver Estate Limited at a consideration of approximately HK\$133.63 million, to fully settle the amount payable to Silver Estate Limited as a limited partner under the limited partnership agreement; and distributed the remaining shares of Sino Ocean to its general partners according to their proportion of capital contribution, in which, 3,572 shares and 6,935 shares of Sino Ocean distributed to IT City Development Fund GP1 Limited and IT City Development Fund GP2 Limited respectively. Accordingly, the Group total held 11,065 shares (representing approximately 40.98%) of Sino Ocean.
- (vi) As at 31 December 2023, the shares held in Sino Ocean were classified as financial assets at fair value through other comprehensive income due to the Group having no significant influence in Sino Ocean.

	2023 HK\$'000	2023 HK\$'000
Net assets/Total comprehensive income	1,614	45,538
Proportion of capital contributed by the Group	34%	60%
Share of net assets/total comprehensive income	556	27,353
Adjustment on effective share of net assets/ results of an associate	–	(11,853)
Adjustment on share of other expenses by the Group	–	(2,913)
Adjustment on share of other income by the Group	–	8,569
Share of an associate’s net assets/ results of an associate (net of tax)	556	21,156

	2022 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net assets/Total comprehensive income	280,775	62,617
Proportion of capital contributed by the Group	<u>60%</u>	<u>60%</u>
Share of net assets/total comprehensive income	168,465	37,570
Adjustment on effective share of net assets/ results of an associate	4,846	(16,279)
Adjustment on share of other expenses by the Group	–	(2,085)
Adjustment on share of other income by the Group	<u>–</u>	<u>6,131</u>
Share of an associate's net assets/ results of an associate (net of tax)	<u><u>173,311</u></u>	<u><u>25,337</u></u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at fair value through profit or loss		
– Unlisted equity investment	<u><u>–</u></u>	<u><u>6,049</u></u>

The unlisted equity investment represents 18% equity interest in ORBiz International Limited which was established for provision of real-time kinematic solution. The equity of Link Complex Limited, which owns this unlisted equity investment and a wholly-owned subsidiary of the Company was pledged to secure the Group's bond issued.

The fair value of the unlisted equity investment as at 31 December 2023 and 31 December 2022 has been arrived at on the basis of an valuation carried out on the respective dates by Asset Appraisal Limited, independent qualified professional valuer not connected to the Group.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Financial assets at fair value through other comprehensive income		
– Unlisted equity investment	<u><u>59,000</u></u>	<u><u>–</u></u>

The unlisted equity investment represents 40.98% equity interest in Sino Ocean which was established for property investment.

The fair value of the unlisted equity investment as at 31 December 2023 has been arrived at on the basis of an valuation carried out by Peak Vision Appraisals Limited, independent qualified professional valuer not connected to the Group.

13. INTANGIBLE ASSETS

	<i>Notes</i>	License HK\$'000	Goodwill HK\$'000	Total HK\$'000
At 1 January 2022		7,857	4,506	12,363
Reversal of impairment	6	1,329	–	1,329
Currency realignment		–	(249)	(249)
At 31 December 2022 and 1 January 2023				
Impairment	6	(7,361)	–	(7,361)
Currency realignment		–	(109)	(109)
At 31 December 2023		<u>1,825</u>	<u>4,148</u>	<u>5,973</u>

The intangible assets comprise licenses and goodwill from business combinations. License mainly represent the Type 4, Type 5, Type 6 and Type 9 regulated activities licenses as defined under Securities and Futures Ordinance (“SFO”) Chapter 571 of the Laws of Hong Kong. These licenses were considered to have indefinite useful lives and will be assessed for impairment annually and whenever there is an indication that it may be impaired.

The Directors assessed the impairment of licenses under the regulated financial services business segments. Based on the results of the assessments, impairment of HK\$7,361,000 was recognised on licenses under the regulated financial services business segment as at 31 December 2023 (2022: HK\$1,329,000 was reversed).

14. TRADE AND BILLS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	15,589	20,797
Less: impairment provision	<u>(205)</u>	<u>(3,259)</u>
Trade receivables – net	<u>15,384</u>	<u>17,538</u>
Bills receivables	<u>1,806</u>	<u>1,659</u>
	<u>17,190</u>	<u>19,197</u>

At the reporting date, the ageing analysis of trade and bills receivables before impairment, based on invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	11,620	14,836
61 – 90 days	2,506	865
91 – 120 days	2,780	218
Over 120 days	<u>489</u>	<u>6,537</u>
	<u>17,395</u>	<u>22,456</u>

The Group allows credit periods ranging from 0 to 120 days (2022: 0 to 120 days) to its trade customers depending on their credit status and geographical location. The Directors consider that the carrying amounts of trade and bills receivables approximate to their fair values.

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments, deposits and other receivables	3,807	6,775
Other tax recoverable	<u>–</u>	<u>28</u>
	<u>3,807</u>	<u>6,803</u>

16. LOAN RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loan receivables	178,105	190,374
Less: impairment provision	<u>(164,513)</u>	<u>(165,996)</u>
Loan receivables – net	<u><u>13,592</u></u>	<u><u>24,378</u></u>

As at 31 December 2023, loan receivables with aggregate gross principal amount of HK\$148,370,000 and gross interest receivables of HK\$29,735,000 (2022: gross principal amount of HK\$164,300,000 and gross interest receivables of HK\$26,074,000) were due from nine (2022: ten) independent third parties. The interest rates of the loan receivables range from 6% to 15% per annum (2022: 6% to 15% per annum). One (2022: two) of the loan receivables are secured by share charges of the borrowers, and nine (2022: ten) of the loan receivables are secured by individual guarantee. The Group does not have the right to sell or re-pledge the shares held as collateral in the absence of default by the borrowers. All loan receivables which were repayable within twelve months from the end of the reporting period were classified as current assets at the reporting date.

17. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	26,630	23,512
Accruals and other payables	<u>317,469</u>	<u>260,195</u>
	<u><u>344,099</u></u>	<u><u>283,707</u></u>

At the reporting date, the ageing analysis of trade payables, based on invoice date, is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 60 days	8,556	8,813
61 – 90 days	3,274	2,520
Over 90 days	<u>14,800</u>	<u>12,179</u>
	<u><u>26,630</u></u>	<u><u>23,512</u></u>

At the reporting date, the accruals and other payables is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consideration payable	83,340	90,487
Interest payable	187,407	117,887
Other tax payables	11,698	15,072
Other accruals and payables	35,024	36,749
	<u>317,469</u>	<u>260,195</u>

The Directors consider that the carrying amounts of trade and other payables approximate to their fair values.

18. CONTRACT LIABILITIES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities arising from:		
Provision of properties management services	1,202	421
Manufacturing of electronic products	2,518	172
	<u>3,720</u>	<u>593</u>

Revenue recognised in relation to contract liabilities

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January	593	3,200
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(593)	(3,200)
Increase in contract liabilities as a result of advanced payments received	3,720	593
Balance as at 31 December	<u>3,720</u>	<u>593</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue and Gross Profit: Revenue in 2023 comprised sales of electronics products, interest income from the provision of money lending, management fee income from the provision of property management services and services income from the provision of regulated financial services respectively.

The revenue in 2023 decreased by approximately HK\$21,096,000 (representing a decrease of approximately 23.78% when compared with 2022) from HK\$88,730,000 in 2022 to HK\$67,634,000 in 2023. The revenue of each business segment in 2023 decreased due to various reasons and will be discussed in "BUSINESS REVIEW" below.

The gross profit decreased by approximately HK\$12,399,000 (representing a decrease of approximately 37.22% when compared with 2022) from approximately HK\$33,316,000 in 2022 to approximately HK\$20,917,000 in 2023. The gross profit margin has decreased by approximately 6.62%, from 37.55% in 2022 to 30.93% in 2023.

Other net gains: The other net gains in 2023 were mainly attributable to the rental income of approximately HK\$3,708,000 (2022: approximately HK\$3,211,000), the government grant of approximately HK\$1,572,000 (2022: approximately HK\$6,925,000) and fair value loss on financial assets at fair value through profit or loss of approximately HK\$6,049,000 (2022: approximately HK\$2,671,000). The fair value loss on financial assets was based on a decrease in valuation carried out by an independent qualified professional valuer on 18% equity interest in ORBiz International Limited.

Finance costs: Part of the interest-bearing borrowings of the Group are calculated at floating rates. The decrease in finance costs in 2023 is mainly due to the finance costs in 2022 including the extra default interest of bond payable.

Impairment of assets: The impairment of assets in 2023 was mainly attributable to the impairment loss on the property, plant and equipment of HK\$9,809,000, impairment loss on the intangible assets of HK\$7,361,000 and impairment loss on interest in an associate of HK\$134,911,000 respectively. At 26 January 2018, Sino Ocean entered a sale and purchase agreement with the sole shareholder of Join Crown Development Limited ("Join Crown") pursuant to which Sino Ocean conditionally agreed to acquire from the sole shareholder the entire issued capital of Join Crown and the amount owed by Join Crown to the sole shareholder as shareholder's loan at the date of completion the acquisition (the "Acquisition"). Besides, Sino Ocean has made a loan to Join Crown as a deposit for the Acquisition. As at 31 December 2022 and 2023, Join Crown held lots of land in Fanling. Since the associate has an investment in Sino Ocean, the fair value of the associate has taken into account the assets and liabilities of Sino Ocean and Join Crown. As the agreement for the Acquisition expired during the year and no supplemental agreement has been entered and the loan from Sino Ocean to Join Crown remains outstanding as at 31 December 2023, the Group believes that the fair value of the associate was no longer suitable for taking into account the assets and liabilities of Join Crown which resulted in a decrease in the fair value of the associate's assets.

Net reversal of impairment loss on financial assets at amortised cost: The net reversal of impairment loss on financial assets at amortised cost in 2023 included the net impairment loss on trade receivables of approximately HK\$88,000, the net impairment loss on other receivables of approximately HK\$565,000 and the net reversal of impairment loss on loan receivables of approximately HK\$1,483,000. A net reversal of impairment loss/impairment loss is recognised by comparing the change in expected credit losses (“ECL”) between the current period and the prior period. Expected credit losses are recognised based on expected credit loss rates depending on actual loss experience over the past few years and adjusted for forward-looking information that is readily available to the Group without undue cost and effort.

Share of results of associate: The amount represented the Group’s share of the results of the associate, IT City, on an equity basis.

Properties held for sale: The properties held for sale are the shop properties held by the Group as stock in the Lijiang underground walkway (the “Lijiang Project”). The Lijiang Project is the unfinished construction project acquired by the Group in 2017. The Group started the finishing and rectification work for the Lijiang Project after acquisition. The finishing work and the rectification work were completed before the end of 2018 and in 2019 respectively. After the finishing work was completed, the Group began to deliver the shops to some buyers who had purchased the pre-sold shops before the Group’s acquisition and made preparations for the sales of the unsold shops. Due to the broke out of COVID-19, the sales plan of the Group has been hindered and cannot be carried out normally in these few years. To increase the value of the Lijiang Project and as part of the sales plan, the Group rent out shops in the form of short-term leases to increase the number of visitors and customers. Since the Lijiang Project was acquired by the Group, the intention of the Group has never changed, which is to sell the shops for profit and the shops can be launched for sale at any time when the time is ripe. Therefore, the shops of the Lijiang Project are classified as stock properties.

The decrease in value in 2023 was due to the exchange difference arising in translating the Renminbi into Hong Kong dollars.

BUSINESS REVIEW

During the year, the Group is principally engaged in the provision of money lending services and provision of regulated financial services in Hong Kong; manufacturing of electronics products, and property development and management in the PRC. In 2023, the sales income from the manufacturing of electronics products, interest income from money lending services, services income from the provision of regulated financial services and management fee income from property development and management accounted for approximately 76.92% (2022: 75.24%), 6.42% (2022: 11.97%), 5.78% (2022: 6.32%), and 10.88% (2022: 6.47%) of total revenue respectively.

Manufacturing Electronics Products

During the year, the segment of manufacturing electronics products includes the manufacturing of transformers. The manufacturing of electronics products contributed approximately HK\$52,022,000 to revenue (2022: HK\$66,763,000 representing a decrease of 22.08% when compared with 2022). The main market for the business of manufacturing transformers is the PRC. Two major customers have reduced their orders since the second half of 2022, and the reduction in orders from these two major customers continued in 2023 which resulted in a decrease in sales in 2023.

Provision of Money Lending Services

The provision of money lending services of the Group focuses on conducting money lending business by providing secured or guaranteed loans to a variety of customers, including individuals and corporations. The profile of individual customers includes but is not limited to professionals and businessmen while corporate customers are private limited companies. The source of customers is mainly past customers or referrals by third parties. Loans are mainly large amounts of guaranteed loans. The source of funds for the lending business is funded by the internal resources of the Group.

During the year, the segment of the provision of money lending services contributed approximately HK\$4,345,000 to revenue (2022: HK\$10,617,000, representing a decrease of 59.08% when compared with 2022). The decrease in interest income on money lending was due to the decrease in loan principal in 2023 (there were no new loans in 2023, two borrowers who contributed approximately HK\$5,090,000 in interest income in 2022, have fully settled their loans in 2022, and the principal of approximately HK\$15,930,000 has been recovered in 2023).

As at 31 December 2023, the total principal amount was HK\$148,370,000 (2022: HK\$164,300,000) and gross interest receivables of HK\$29,735,000 (2022: HK\$26,074,000) were due from nine (2022: ten) independent third parties. The interest rates of the loan receivables range from 6% to 15% per annum (2022: 6% to 15% per annum) on the principals from HK\$10,000,000 to HK\$23,915,000 (2022: from HK\$500,000 to HK\$24,500,000). One (2022: two) of the loan receivables are secured by share charges of the borrowers, and nine (2022: ten) of the loan receivables are guaranteed by individuals. The Group does not have the right to sell or re-pledge the shares held as collateral in the absence of default by the borrowers. All loan receivables were repayable within twelve months from the end of the reporting period.

The loan receivables can be classified into secured loans and unsecured loans. All loans, including unsecured loans, come with a personal guarantee by individuals while secured loans offer share charges as collateral in addition to the personal guarantee. The total principal amount of the secured loans and the unsecured loans were HK\$10,000,000 (2022: HK\$10,500,000) and HK\$138,370,000 (2022: HK\$153,800,000) respectively. The secured loans with loan principals were HK\$10,000,000, of which the aggregated principals of loans lent in 2018, 2019 and 2020 were HK\$nil, HK\$5,000,000 and HK\$5,000,000 respectively, with interest rates of 15% per annum and repayable within 12 months from the end of 31 December 2023. The unsecured loans with loan principals ranging from HK\$12,332,000 to HK\$23,915,000, of which the aggregated principals of loans lent in 2018, 2019 and 2020 were HK\$73,459,000, HK\$35,932,000 and HK\$28,979,000 respectively, with interest rates ranging from 6% to 9% per annum and was repayable within 12 months from the end of 31 December 2023.

The principal amount of loan receivables due from the largest borrower and the five largest borrowers accounted for HK\$23,915,000, representing 16.12% (2022: HK\$24,500,000 and 14.91%) and HK\$97,399,000, representing 65.65% (2022: HK\$103,700,000 and 63.12%), respectively, of loan receivables of the Company as at 31 December 2023.

The Group has its credit risk strategy and policy and credit review and risk assessment for the money lending business. It is required to perform an independent assessment on loan applications before the loans are granted. The independent assessment included but was not limited to background checkings, such as the identity documents (identity card or business registration certificate, latest annual return or certificate of incumbency if an overseas company) and income or asset proof of the borrower and guarantor, such as share certificates or bank statements, the evaluation of the value of the collateral and the verification of the authenticity of the information provided, to ensure the recovery ability of the loan. If necessary, the Group will also engage a valuation company to assist in assessing the value of the collateral. After the loan is granted, the Group will still conduct checks on the value of the collateral from time to time. Besides, the Group will conduct a value check on the collateral when the Group perceives that there is a huge fluctuation in the relevant market of the collateral, to ensure that there is no material deterioration in value.

The Group will not proactively require borrowers to renew loans but will renew loans at the request of the borrowers. The Company has carried out ongoing credit assessments on renewing loans. Leveraging on the extensive experience of the executive directors of the Company in the money lending business, coupled with the credit risk assessment on the loans for loan recoverability, the directors of the Company believe that even though some loans are unsecured, personal guarantees have been provided, the actual risk of default is not high.

As at 31 December 2023, all unsecured loans with an aggregate principal amount of approximately HK\$138,370,000 were due and have not been renewed. Superactive Finance Company Limited (“Superactive Finance”), a subsidiary of the Group engaged in the money lending business, has issued demand letters to the unsecured loan borrowers and their guarantors after they matured in accordance with the policy of Superactive Finance. The directors of Superactive Finance have also actively negotiated the repayment of the loan with the unsecured loan borrowers and their guarantors. A total of approximately HK\$20,130,000 has been recovered since the respective maturity dates of the unsecured loans, of which HK\$15,430,000 was recovered in 2023. The Group still maintains close communication with unsecured loan borrowers and their guarantors. If the repayment status of unsecured loans is not satisfactory, Superactive Finance will, depending on the circumstances, issue legal letters to the borrower and its guarantor to collect the loan, and may initiate legal proceedings to recover the relevant loan as the case may be.

The interest rates of the loans are independent of each other and have been set after considering credit risk, which in turn includes the possibility of default and the loss given default. The probability of default and default losses are affected by different factors, including but not limited to the referrer of the loans, the reputation of the borrowers and their guarantors, the guarantees provided by the borrowers, the repayment ability and repayment history of the borrowers and guarantors and their assets held, the purpose of the loans, and changes in the economic environment, etc.

The impairment made on the loan receivables is provided and recognised according to the requirement of HKFRS 9 issued by the Hong Kong Institute of Certified Public Accountants. It is a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation of the asset’s original effective interest rate. In respect of loan receivables, credit risk arises from a customer’s inability and unwillingness to meet its financial obligations to make timely payments under the loans the Group provided. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to calculate the provision of the impairment.

As at 31 December 2023, the provision of impairment loss for loan receivables was HK\$164,513,000, representing a decrease of approximately HK\$1,483,000 when compared with 2022. The decrease in ECL in the impairment provision for loan receivables in 2023 was mainly due to the recovery from the loan receivables which resulted in decreases in provisions of approximately HK\$470,000, HK\$3,020,000 and HK\$2,733,000 in the Stage 1, Stage 2 and Stage 3 of ECL respectively, and increases in provision of approximately HK\$4,740,000 in the Stage 2 of ECL. The reversal of impairment loss provision/impairment loss provision is a non-cash item.

The loan receivables classified as Stage 3 of ECL in the provision for impairment are due to the Group’s prudent forward-looking assessment of such loan receivables. No loan receivables have been recognised as bad debts during the year ended 31 December 2023 (2022: nil).

Property Development and Management

Lijiang Project: The Lijiang Project is located at the underground walkway on Minzhu Road and Fuhui Road, Lijiang City, Yunan Province, the PRC. The gross floor area of the Lijiang Project is approximately 36,583 square metres (“m²”), comprising a civil air defence work structure of approximately 13,730m², 741 units of the saleable shop premises with a total gross floor area of approximately 19,712m², a non-saleable property utility room of approximately 226m². and a commercial function room of approximately 2,915m². The Lijiang Project is now held for sales purposes but in the meantime, the shop premises have been leased to generate rental income and management fee income. A subsidiary of the Group is providing property management services for the Lijiang Project.

During the year, there was still no (2022: HK\$nil) property sales revenue and the management fee income generated was approximately HK\$7,356,000 (2022: HK\$5,740,000).

Provision of Regulated Financial Services

During the year, the segment of the provision of regulated financial services has contributed approximately HK\$3,911,000 to revenue (2022: HK\$5,610,000, representing a decrease of 30.28% when compared with 2022). The revenue from the provision of regulated financial services was generated from asset management services. The decrease in service income was mainly due to one of the managed assets fund having closed in May 2023.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$5,809,000 (2022: HK\$8,365,000) which included approximately HK\$849,000 and RMB4,441,000.

The Group had interest-bearing borrowings of approximately HK\$484,786,000 (2022: HK\$487,067,000) of which approximately HK\$482,813,000 (2022: HK\$399,392,000) were repayable on demand or within one year; approximately HK\$877,000 (2022: HK\$7,977,000) were repayable in the second year; approximately HK\$1,096,000 (2022: HK\$78,208,000) were repayable in the third to fifth years, inclusive; and approximately HK\$nil (2022: HK\$1,490,000) were repayable after five years respectively. The Group’s interest-bearing borrowings divided by total assets as at 31 December 2023 was 53.31% (2022: 44.22%). As at 31 December 2023, the gearing ratio of the Group was 10.80 (2022: 1.62). This ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing borrowings less cash and cash equivalents.

As at 31 December 2023, the Group has a net asset value of HK\$44,336,000 (2022: HK\$296,361,000), with a current ratio (ratio of current assets to current liabilities) of 0.69 (2022: 0.88).

CHARGE ON ASSETS

As at 31 December 2023, the share equity of (i) Superactive Financial Group Company Limited, the operating company of the regulated financial services; (ii) Shenzhen Jiixin Enterprise Management Company Limited, the holding company of a group operating the manufacturing of transformers; (iii) Link Complex Limited, a company which held the 18% unlisted equity shares of a company which is for provision of real-time kinematic solution; (iv) Edisoft Investment Limited, the holding company of a group operating the Lijiang Project, and its subsidiaries; (v) Lijiang Shunjing Business Administration and Management Limited, the company provide management services to the Lijiang Project; and (vi) Superactive Finance, the company operating the money lending services, were pledged to secure the Company's bond issued on 29 December 2017. In addition, the office properties included in Land and Buildings under Property, Plant and Equipment and Restricted Bank Deposits were pledged to a bank to secure the Group's loans.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group's monetary assets, loans and transactions are principally denominated in HK\$ and RMB. All the Group's borrowings are denominated in HK\$ and RMB. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its financial position exposure as at 31 December 2023.

EMPLOYEES

As at 31 December 2023, the Group had a staff force of approximately 300 employees (2022: approximately 300 employees). Of this, most were stationed in the PRC. The remuneration of employees was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentives (such as a share option scheme). Total staff costs incurred for 2023 were approximately HK\$30,974,000 (2022: approximately HK\$35,675,000).

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct governing Directors' securities transactions. All Directors have confirmed, following a specific enquiry by the Company, that they had complied with the required standards set out in the Model Code throughout the year.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of The Corporate Governance Code And Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance practices.

During the year ended 31 December 2023, the Company was in compliance with the code provisions set out in the CG Code except for the deviation from code provision C.2.1.

Code provision C.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The office of the chief executive is currently vacant that the roles and duties of which are assumed by the Board. The executive Directors are responsible for the daily management of the business. Therefore, a clear division of responsibilities is in place and a balance of power and authority is ensured.

Save as aforesaid and in the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code.

AUDIT AND RISK COMMITTEE

The audit and risk committee of the Company (the "Audit and Risk Committee") currently consists of three independent non-executive Directors, namely Mr. Tse Ting Kwan (Chairman), Mr. Chow Wai Leung William, and Mr. Leung Man Man.

The Audit and Risk Committee has, together with the Board reviewed and approved the accounting principles and practices adopted by the Group and the annual results for the year ended 31 December 2023. The Audit and Risk Committee has also reviewed the effectiveness of the risk management and internal control systems of the Company and considers them to be effective and adequate.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the announcement of the Group's consolidated results for the year ended 31 December 2023 have been agreed by the Group's auditor, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on the results announcement.

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023.

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Material uncertainties related to going concern

As disclosed in Note 2 to the consolidated financial statements, the Group recorded a net loss attributable to the owners of approximately HK\$239,044,000 for the year ended 31 December 2023 and, as of 31 December 2023, the Group had net current liabilities of approximately HK\$263,792,000 while the Group's cash and cash equivalents was only approximately HK\$5,809,000. In addition, as at 31 December 2023, i) the principal amount and accrued interest of bond payables of approximately HK\$250,000,000 and approximately HK\$182,546,000 respectively and ii) the principal amount and accrued interest of bank borrowings of approximately HK\$227,513,000 were defaulted in payment. Such default entitled the bondholder and the bank a right to demand immediate repayment from the Group.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this report and have been undertaking a number of measures to improve the Group's liquidity and financial position which are set out in note 2 to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, on the assumption that the bondholder and the bank do not have any current intention to exercise their right to demand immediate repayment. and the successful implementation of the measures set out in note 2 to the consolidated financial statements. The validity of the going concern basis depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to obtain additional sources of financing as and when needed; (ii) the successful negotiations between the Group and the bondholder for mediation or extension for repayment of principal and interest of the bond payables; (iii) the successful negotiations between the Group and the bank for the renewal of or extension for repayment of the bank borrowings; and (iv) whether the Group can successfully improve its operation to generate sufficient cash inflow for its operation.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

In view of the extent of the uncertainty relating to a successful outcome of the negotiations with the bank and bondholders for renewal or extension of the default bank borrowings and bond payables, and whether they will exercise their rights to demand immediate repayment of the outstanding balances, we are unable to obtain sufficient appropriate audit evidence in relation to the adoption of the going concern basis in preparing the consolidated financial statements.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.superactive.com.hk). The Company's 2023 annual report containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and will be published on the respective websites of the Stock Exchange and the Company in due course.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 2 April 2024 pending the publication of the Company's audited consolidated results for the year ended 31 December 2023. Following the publication of this results announcement, an application will be made by the Company to the Stock Exchange for resumption of trading in its shares, with effect from 9:00 a.m. on 2 May 2024.

By Order of the Board
Superactive Group Company Limited
Yeung So Lai
Chairman

Hong Kong, 30 April 2024

As at the date of this announcement, the executive Directors are Ms. Yeung So Lai and Mr. Lee Chi Shing Caesar; and the independent non-executive Directors are Mr. Chow Wai Leung William, Mr. Leung Man Man and Mr. Tse Ting Kwan.